Files

DRAFT

BDAC Water Use Efficiency Work Group
Meeting Summary
August 28, 1996

The fourth meeting of the BDAC Water Use Efficiency Work Group was held on Thursday August 28, 1996 at the Resources Building from 9 a.m. to noon.

(Some attendees who arrived late and who did not sign in are not listed below)

BDAC Members present were:

Judith Redmond, Chair	Roberta Borgonovo	Alex Hildebrand
Richard Izmirian	Stuart Pyle	Mike Stearns

Invited Participants of the Work Group present were:

Ed Craddock	Ronnie Cohen	Betsy Reifsnider
Palma Risler	Brad Shinn	

CALFED Staff present were:

Rick Soehren	Michelle Wong

Other Participants included:

Adrienne Alvord	Scott Akin	Naser Bateni
Nat Bingham	Glenn Birdzell	Kirk Brewer
Eric Cartwright	Leasa Cleland	Linda Cole
Gordon Cologne	Mary Ann Dickinson	Bill DuBois
Terry Erlewine	Connor Everts	John Foley
Dan Fults	Tom Gohring	Tom Hickmann
Andrew Hitchings	Mike Heaton	Lance Johnson
Bill Johnston	Doug Jones	Dennis Letl
Kim Mish	David Mitchell	Barbara Nadon
Dennis O'Connor	Thomas Panella	Charles Pike
Larry Rohlfes	Joan Ryan	Craig Scott
Steve Shaffer	Tracy Slavin	Lora Steere
Jeanette Thomas	Don Waganet	Greg Wang
Nancy Yoshikawa	Greg Young	Greg Zlotnick

The Work Group chair, Judith Redmond, started the meeting by reviewing the progress of the Work Group to date and the intent of this meeting. Rick Soehren updated the group on the progress of an urban conservation approach. A stakeholder proposal for the urban approach is being drafted by a group represented by CUWA and public interest/environmental organizations. This group should come to consensus in the next several weeks and their approach will be brought to the Work Group for input and refinement.

Judith set the stage for the discussion regarding the draft *Agricultural Water Use Efficiency Strategy - Objectives and Tools* paper, by presenting the idea of a more global definition of water use efficiency and viewing potential benefits from the broader CALFED perspective. Examples of existing, on-going measures and programs were given for on-farm, at the district, and for this broader perspective.

Rick provided an overview of the Work Group's purpose and mission. It was stressed that this group is intended to provide policy advice back to BDAC and to CALFED and is structured as a smaller focused forum. The elements of water use efficiency being discussed by the group include urban and agricultural water use efficiency, water recycling, and environmental (out-of-stream) water use efficiency. Land retirement, it was stated, will no longer be considered by the group. Many stakeholders have emphasized that land retirement is not a water use efficiency measure. It does reduce water demand in the agricultural sector, but carries with it several disadvantages. In response to scoping comments, discussions with stakeholders and members of BDAC, and further evaluation, CALFED will not consider permanent land retirement as a demand management measure. It will be considered, though, as a water quality measure.

Some Work Group members did not agree with this decision and feel that land retirement needs to remain on the table as a direct demand reduction tool. Land retirement should also be discussed as part of water transfers. In response, Judith suggested that the group could discuss land retirement more fully after completing discussion of urban and agricultural water use efficiency approaches. Some felt that the land retirement issue should not be discussed in a small group but instead should be a main agenda topic at the next BDAC meeting.

Rick continued his review of the Work Group's role by discussing how water use efficiency fits into the CALFED programs and how recommendations from this Work Group will be used by CALFED during the impact analysis. Some BDAC members expressed concern that the Work Group seems to be focusing on efficiency improvements as a source of supply (for current users) and not focusing on the notion that savings will be left in the streams for environmental benefits. Efficiency, it was stated, is about reducing demand and not reallocating supply.

The remainder of the meeting was spent reviewing the objectives and the tools as presented in the draft paper. Rick characterized the objectives as being developed to create an atmosphere in which water can be managed for optimum multiple benefits. He wanted those present to consider if the objectives reflected and protected their particular interests regarding water use efficiency and to determine if the objectives will serve as an adequate test of whether a draft approach is satisfactory. The following summarizes the types of comments and arguments offered by various members of the Work Group:

- It was suggested that the objectives need to include an explicit statement regarding implementing efficiency improvements to leave more water in the streams. We should not talk about getting water for the environment, but rather see water as the environment. The bigger picture of protecting the environment is not included but should be. However, others expressed that we need to include all CALFED objectives in our focus including reliability and water quality, and not just the environment.
- Some felt the objectives focus too much on analysis and not enough on implementation. However, others stated, analysis is a necessary step prior to implementation. There is a need to determine what makes sense prior to asking for implementation. Much of the current knowledge regarding efficiency improvements in really in its infancy and much more analysis and piloting of measures is needed. Wording was suggested for the planning and technical assistance objective to add the word "stronger" to reflect the need for much greater funding levels.
- The idea of "assuring that agriculture uses water efficiently" can result in increased salinity of the San Joaquin River. We need to take more broad approaches that are win/win.
- Many felt that overall, the objectives were reasonable. They are consistent with the Governor's water policy objectives and also reflected intentions of the AB 3616 process.
- It was suggested that the objectives represent two types, general principle objectives, and specific action oriented objectives. The objectives should be presented in manner that builds from the general principles up to the specific actions and should be directly related to a program.
- It was suggested to have similar wording in the agricultural objectives as seen in the urban objectives regarding a "high floor level" of conservation. Related to this, it was asked if urban is being held to a higher standard for conservation and that there seems to be an appearance that people think there is more potential (than agriculture) in the urban sector. Rick stated that it is clear to many that there is a lot of water leaving urban areas and being discharged into bays and the ocean. This creates a clear opportunity. This is much less clear on the agricultural side, primarily because of issues regarding "recoverable losses" and true water savings.
- It was agreed upon by some that there needs to be a tie between savings and who receives the benefit. Whoever provides capital should be entitled to some or all of the water saved.

Rick introduced the purpose of the development of tools and stated that the tools listed are a compilation of the universe of tools that we thought might be within the range of possibility for an agreeable approach. The tools are a first draft and may contain factual errors or misconceptions. Rick wanted the group to comment on whether there are other tools to be included, what refinements should be made to those presented, would they meet the objectives or should some be dropped from the list. Approximately five minutes was allotted to discuss each tool. (The comments are presented with the tool under which the discussion occurred. Some brief notes appear next to the stated tool that describe the basic intent.)

E-027869

1. Comprehensive water transfer rules - Rules for transfers: what can be transferred, protect water rights, reduce or mitigate 3rd party impacts

Comments: Rules should include looking at or requiring timing of transfers to coincide with instream benefits. Timing of transfers is difficult to manage already, and added time constraints can make it worse. There should be an explicit statement regarding the potential negative impact on fisheries that result from transfers. It is disconcerting to see transfers as the first tool. It can be seen as a state-wide tool for water supply purposes, but is not an efficiency tool. Transfers reallocate water and are not demand reductions. If transfers are to be included, there must be distinction made between in-basin and out-of-basin transfers and there related impacts. Transfers provide another mechanism besides just district level improvements which (we are being told) cannot generate the savings that is being sought. Need to work on assurances to minimize and mitigate for third party impacts. Demand-side measures cannot get us all the way. Transfers provide flexibility, the more tools included, the better the approach. There are physical limitations (in existing conveyance mechanisms) that can restrict long-term transfer quantities.

2. Water rights assurances - Related to Tool 1: protect water rights under transfer situations

Comments: The more stable the water right, the more water rights and contract holders will be willing to make water available for transfers. Assurances also should meet the objectives of emphasizing markets over regulatory and provide assurances that agricultural water supplies will be used efficiently.

3. Conditions for transfer of marketed water - Meet conditions before you can receive transferred water (water management plan, implementation of cost-effective measures)

Comments: Concur with all that is said under this tool. Conditioning transfers runs the risk of developing an whole new layer of bureaucracy that can slow down transfers when "time is of the essence". Already need to go through several different agencies to get transfers. Should add streamlining text to the *comprehensive water transfer rules* tool. (Side note: CALFED is working on streamlining agency responsibilities for a number of issues). Conditioning of transfers should make agencies want to meet requirements early so they do not get held up during critical times. Why are inter-urban transfers not being promoted? Why is the emphasis on agriculture? Need to include groundwater management in transfer conditions or rules to provide groundwater substitution protection.

4. Structured water transfer tax - Water transfer tax to help mitigate for local impacts of transfers.

Comments: This was discussed a lot when the legislature was discussing transfer legislation 3 years ago. During that time there was mixed opinion. On one hand, local governments liked the

idea of mitigating for social impacts. On the other hand, nobody could figure out how to manage the funds generated - who gets paid, what percentages to whom, how much, etc. Would want to try and structure tax to encourage transfers with little or no impacts. Such transfer opportunities exist and we would not want to discourage their implementation. The requirement to closely track all transfers should not be a weakness, it is a strength that would be beneficial. Mitigation is viewed positively by the potentially impacted parties, tax may just not be appropriate method. There are many mitigation issues dealt with already with each individual transfer and mitigation for local socio-economic impacts should be part of the negotiations for each separate transfer. A general tax could act more as a disincentive to transfers. There should be a requirement that impacts are addressed without forcing a specified tax.

5. State Drought Water Bank conditions - Very similar to Tool 3: meet conditions before you can receive drought water bank water (water management plan, implementation of cost-effective measures).

Comments: Need to reflect the timeline associated with implementation of efficiency measures when conditioning participation (or other conditioned programs). Should be able to participate based on making satisfactory progress. Should also precondition sellers.

6. Water management planning - Require preparation of ag water management plans, similar to Urban Water Management Planning Act.

Comments: Would this satisfy water transfer conditions or other program conditions? It would make sense to have a single plan cover several requirements. The first sentence of the description should use the term "water suppliers" instead of "water users". How would this work in conjunction with CVPIA requirements and the potential agricultural MOU (AB 3616)? There needs to be coordinated agreement between federal and state requirements on this issue at a minimum. Last sentence of tool description states that this could be a condition for receiving additional water supplies or other benefits. Is the intention just to have agencies implement efficiency measures or is there a greater goal to have conditions result in loss of water and rights? The idea of conditioning would be targeted at new supplies (i.e., agencies receiving water from a new storage facility that results from CALFED actions). There may be a need to distinguish between conditioning new versus existing benefits. The possibility to condition existing benefits (read as water supplies) should be left on the table as a possible tool.

7. Technical and planning assistance - Provision of technical and planning assistance. Judith mentioned some examples; could be provided by DWR, USBR, others.

Comments: This type of assistance needs to be a major part of any approach. SB 900 only has a little funding for this type of effort. There is a need to further expand funding and opportunities. Coordination between DWR and Bureau should be included. Also need to include funding from

E-027871

RCDs and the Extension Service. Currently, the Extension Service only can help if DWR pays for their labor. The AB 3616 proposed Agricultural Council should not try to act in a technical role, rather technical assistance should be provided to the council. This would create a new bureaucracy.

8. Water use diversion fee/non-compliance fee - Could send price signal, encourage water markets, provide funding for environment to enter market for water it needs.

Comments: A fee could be varied by year type or time of year depending on the impact to the environment. A large portion of the agricultural sector has insufficient supplies and therefore, their efficiency is more driven by scarcity than by price. Any increase in price would drive some out of business. CALFED is looking at diversion fee within the finance group and this Work Group should focus on the non-compliance fee side of this tool. This seems more like tiered water pricing and could drive people out of business or force them to start using groundwater instead. Water pricing as a tool is more market oriented and allows you to move away from regulatory. Setting a diversion fee is a regulation and is not a market approach. There are examples of water pricing working as an incentive to implement conservation measures. But there are as many examples that show it does not act as an incentive. Having all diverters contribute to a fund will provide money for necessary environmental restoration. Pricing would move water to more efficient uses. Initial reaction to fees is that it could negatively impact conjunctive use programs. Tool #9 works well for conjunctive use. There would need to be the appropriate mix of both of these pricing tools. A lot of tiered pricing already exists and an additional diversion fee atop would be very punitive and not act as an incentive. Non-compliance fees would not raise the price of those in compliance so should not cause additional hardship. These two types of fees should be considered separately.

9. Surface water pricing - Variable water pricing to encourage use of surface water in wet years, groundwater in dry years.

Comments: This is a good tool but it is unclear at what level it would be implemented; who would set prices? There is already some variation in the cost of water to users because of fixed project costs that have to be paid regardless of the amount of water delivered. This is a fundamental error in the way it is presented in the description paragraph. Many districts that have conjunctive use programs already vary their rates to encourage groundwater use in some year types. This could be applied in more areas to promote more conjunctive use programs.

10. Incentive payments - Incentive payments to help make measures cost-effective (particularly if they have simultaneous ecosystem or water quality benefits). Like water and sewer agencies paying for toilet replacement.

Comments: This is a very broadly described tool at this point, making discussion a little difficult.

An example on the urban side is when sewage agencies help pay for water agency toilet retrofit rebate programs. The MWD/IID conservation/exchange program is also an example of incentive payments. Modesto ID is also paying incentives for users to install various irrigation equipment that will improve users efficiency. Incentive payments are of real interest to water users because they are looking for something to help offset the cost of projects.

11. Low interest loans and other financing assistance - Could be used similar to Tool 10.

No comments were provided.

12. Tax credits and rebate programs - Could be used similar to Tool 10.

Comments: The state tried similar programs for urban users in the early 1980's. It was difficult to administer and track real gains. There was a need for a strong analytical side to prove the worth of the programs. This could be related to tool #9 and be used by districts as pricing incentives.

13. Bond pooling - several districts going in together on bond issuance to finance efficiency measures. Related to 10, 11, 12.

Comments: Is the idea here to make bond pooling available to users who are not members of ACWA or other associations that offer bond pooling programs? Would this create a secondary market? There is a need to find out how much of a barrier exist to smaller districts to obtain financing before creating a new program that may not be necessary.

14.Contract language revisions - Changes in SWP and CVP contract language to promote efficiency, protect contractor flexibility.

Comments: Within the CVP, the "use it or lose it" clause has always been troublesome to contractors. Language such as this acts as a disincentive to conservation. Some renewed contracts still contain this language. There are not any CVP contracts known that allow carrying over unused supplies from one year to the next. This has become vitally important to how districts are looking at operations and carryover ability would be very useful. There is also a constraint on the ability to carryover for some water rights settlement contractors

15. CVP/SWP contract provisions - Contract provisions to ensure efficient use of project-delivered supplies.

Comments: Statement within description paragraph regarding lack of enforcement of contract provisions is troublesome. The Bureau is enforcing provision on CVP contractors, so what is the example of lack of enforcement? There is an example of lack of enforcement with some SWP contractors. What is the purpose of this tool? The purpose is to get agricultural users to use water

supplies as efficiently as possible. Provisions should not be added atop existing provision. The provisions should be used to create equity, require *all* contractors to meet the same type of requirements. Contract provisions are not consistent among contractors and should be made consistent - across the board. Conditions should be placed on SWP contractors that have yet to receive delivery of their total allocation prior to receiving delivery of such. If this is intended as a condition for new supplies only, then it should be reflected here. Should not be able to back-condition existing supplies.

16. Water right permit conditions - such as SWRCB considered in 1988.

Comment: This has been used as a "velvet hammer" by the SWRCB in the past. When the SWRCB considered placing new conditions on water rights, stakeholders were worried and decided to write the urban MOU and preserve flexibility. Water rights conditions should remain as a last resort tool for non-complying agencies. To be useful, conditions need to include old contracts (pre-1914, others). SWRCB has not shown strong enforcement of permit condition in the past.

The discussion on tools had to be stopped at this point so the room could be made available for a subsequent meeting. Further comments were encouraged and should be sent to Rick Soehren at CALFED. The next meeting is scheduled for Thursday, September 26, at 9 a.m.